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SUBJECT: REP. JEFFERSON'S MEETING WITH NNPC MANAGING  
DIRECTOR KUPOLOKUN

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11. (SBU) Summary. Nigeria National Petroleum Corporation (NNPC) Managing Director Funsho Kupolokun said February 16 that he has given cautious encouragement to two petroleum sector projects that could be potentially profitable for U.S. investors: a joint oil delivery system for marginal oil fields in Southeast Nigeria, and a liquefied natural gas (LNG)-based fertilizer plant in the Southsouth. He added that the NNPC is looking for financial incentives to bring in LNG sector investors, but there is little the NNPC can do for the U.S. contractors hurt when Shell downgraded its petroleum reserves. Rededicating himself to NNPC's reforms, Kupolokun told visiting Rep. Jefferson that NNPC would continue its push for upstream Nigerian producers, downstream deregulation, and at least one working refinery by year's end. End Summary.

#### An Opportunity on the Margins

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12. (U) NNPC Managing Director Funsho Kupolokun met with Congressman William Jefferson, Stolt Oil representative Jim Creaghan, Verizon representative Levin Custis and Poloff Hankey to discuss commercial interests important to Jefferson's constituents. One of the top issues was concessions in Nigeria's marginal oil fields, 24 of which have already been offered. Kupolokun said some signing bonuses have already been paid for these fields.

13. (U) Kupolokun gave tentative encouragement to Jefferson's suggestion for U.S. companies to establish common well-to-terminal oil transfer systems for the disparate fields. "I don't find any problem with it" in general, the NNPC boss said, adding that he would look at proposals as they cross his desk. He cautioned that a common oil delivery system may be difficult in the Niger Delta. However, he specifically pointed out a concentrated area near Calabar that may generate up to 40,000 barrels per day, enough oil to make a common system profitable in that one area.

#### From Gas Fields to Grain Fields

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14. (SBU) Kupolokun expressed the same tentative encouragement for Jefferson's proposal that Nigeria establish an LNG-based fertilizer plant in the Niger Delta. Jefferson said Nigeria could become a major world exporter of low-cost fertilizer by inviting a U.S. company to produce 200,000 tons of fertilizer annually, using just five percent of Nigeria's natural gas production. According to Jefferson's numbers, a constituent of his might be willing to build such a factory - at a cost of at least \$500 million - if the plant were given reduced-cost access to natural gas until it recoups the cost of building the factory. "OK," said Kupolokun, slouched in his chair and his head resting in his hand. "When they're here, I'll talk to them."

15. (SBU) Kupolokun was more animated about his own plans to attract international investment in Nigeria's LNG sector. He said Ward-McKenzie is helping NNPC develop a plan to offer financial incentives to investors on new natural gas-related projects.

#### Shell Reserves

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16. (SBU) Kupolokun confirmed the weekend's press reports that his corporation will be attending a Nigerian Senate hearing soon. While the focus of the hearing is to be NNPC's budget, Kupolokun said he was also invited to discuss Shell's recent downgrading of its proven petroleum reserves total. "Whatever Shell is saying is of consequence to the Nigerian position," he said, as Shell's reduced figures were now out of line with the GON Department of Petroleum Resources' figures for proven reserves. Stolt Oil representative Creaghan said Shell still owes his company millions of dollars for contracting work done for the GON-Shell joint venture before the figures reduction, and Shell has refused

to pay Stolt since the downgrading. Kupolokun, whose parastatal NNPC is Shell's joint venture partner, did not offer to help Stolt on the issue.

Verbal Dedication to Reform Remains High  
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17. (U) The lack of help notwithstanding, Kupolokun stressed several times his determination to improve the efficiency, business processes and human resources "gaps" in NNPC. He said NNPC "needs to move aggressively" to encourage more Nigerian firms to work in the upstream oil sector. He also acknowledged that downstream petroleum deregulation, which has prompted a strike last year and strike threats for the past four months, is "a tall order," but one which the GON would see through to its logical conclusion. Finally, he said that before year's end the Port Harcourt refinery would be functioning on a consortium basis.  
ROBERTS